

# Office of Attorney General Terry Goddard



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**FOR IMMEDIATE RELEASE**

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## **PayPal Agrees to Improve Customer Information**

(Phoenix, Ariz. – Sept. 28, 2006) Attorney General Terry Goddard today announced that PayPal, Inc. has agreed to a settlement that resolves concerns regarding some of the company's business practices.

PayPal is an Internet business which allows the transfer of money between email users, avoiding traditional paper methods such as checks and money orders. PayPal also performs payment processing for e-commerce vendors, auction sites and other corporate users, for which they charge a fee. The company also agreed to pay \$1.7 million as part of the settlement.

"This settlement should sharply reduce the number of complaints filed by consumers," Goddard said. "It requires PayPal to give people more information about how its payment system works before they become PayPal members."

Goddard joined Attorneys General from 27 other states in this settlement. The settlement is a result of a multi-state investigation prompted by consumer complaints alleging, among other things, that:

- PayPal froze some customers' accounts without notice if the customer disputed a payment to or from a third party using PayPal's services.
- PayPal misled some of its customers by charging their bank accounts to fund their PayPal accounts when the customers expected to be able to fund their accounts with their credit card.
- PayPal failed to inform some of its customers who had disputes regarding credit card payments to third parties that they might have greater protection from their credit card companies than through their agreements with PayPal.

The settlement requires PayPal to:

- Make information more accessible to users by changing the way the company uses hyperlinks and multi-page documents.
- Present the member who is prepared to make a purchase with a clear choice regarding what form of payment to use. The usual methods consumers use to fund their payments through the system are credit card, debit card or electronic funds transfer from a bank account.

- Provide clear access to Web pages that contain important information about the differences between PayPal's internal dispute resolution programs and chargeback rights granted by federal law to consumers who use electronic banking, debit cards and credit cards.

If you believe you have been a victim of fraud, please contact the Arizona Attorney General's Office by visiting the Web site at [www.azag.gov](http://www.azag.gov) and filing an online complaint or calling the Office at 602.542.5763 in Phoenix; 520.628.6504 in Tucson; or 1.800.352.8431 outside the metro areas.

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